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INDEPENDENCE BOWL FOUNDATION, INC.

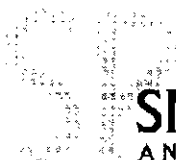
SHREVEPORT, LOUISIANA

FINANCIAL STATEMENTS

FEBRUARY 29, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-17-08



SMITH PUGH
AND COMPANY, LLP

Certified Public Accountants • Management Consultants • Business Advisors

Independence Bowl Foundation, Inc.

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February 29, 2008**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Independence Bowl Foundation, Inc.
Shreveport, Louisiana

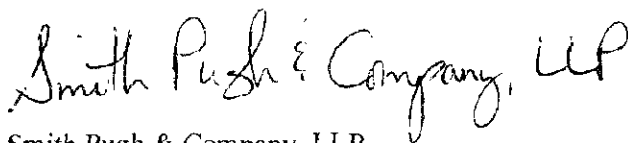
We have audited the accompanying statements of financial position of the Independence Bowl Foundation, Inc. as of February 29, 2008 and 2007, and the related statements of activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Independence Bowl Foundation, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Independence Bowl Foundation, Inc. as of February 29, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Notes 8 and 11 to the financial statements, the Foundation's significant decrease in its net assets and lack of payment by its title sponsor raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, on our consideration of the Independence Bowl Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Smith Pugh & Company, LLP
Shreveport, Louisiana
July 31, 2008

FINANCIAL STATEMENTS

Independence Bowl Foundation, Inc.

**Statements of Financial Position
February 29, 2008 and February 28, 2007**

	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	407,275	\$ 817,019
Certificates of deposit	43,047	50,590
Receivables, net	458,773	443,421
Prepaid expenses	19,651	19,939
Total current assets	<u>928,746</u>	<u>1,330,969</u>
Leasehold Improvements:		
Scoreboard	1,530,200	1,530,200
Pressbox renovations	206,600	206,600
	<u>1,736,800</u>	<u>1,736,800</u>
Less accumulated amortization	<u>(1,196,068)</u>	<u>(1,000,221)</u>
Total leasehold improvements	<u>540,732</u>	<u>736,579</u>
Deposits	<u>7,015</u>	<u>7,015</u>
Total Assets	<u>\$ 1,476,493</u>	<u>\$ 2,074,563</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Due to participating teams	\$ 1,394,410	\$ 1,381,225
Accounts payable	4,751	10,383
Accrued interest payable	3,504	6,760
Payroll withholding payable	357	173
Note payable	450,000	600,000
Total current liabilities/Total liabilities	<u>1,853,022</u>	<u>1,998,541</u>
Net Assets:		
Unrestricted net assets:		
Designated by Board for debt service	17,851	21,186
Undesignated	(485,112)	(81,958)
Leasehold improvements, net of related debt	90,732	136,579
Total unrestricted net assets/Total net assets	<u>(376,529)</u>	<u>75,807</u>
Total Liabilities and Net Assets	<u>\$ 1,476,493</u>	<u>\$ 2,074,348</u>

The accompanying notes are an integral part of these financial statements.

Independence Bowl Foundation, Inc.

Statements of Activities For the Years Ended February 29, 2008 and February 28, 2007

Revenues:	2008	2007
Independence Bowl:		
Ticket sales	\$ 1,639,185	\$ 1,557,150
Title sponsorship	980,000	520,000
Other corporate sponsorships	58,327	95,658
Grants from state and local governments	504,160	493,410
Television and radio revenues	383,875	328,500
Scoreboard advertising	172,748	172,370
Other revenues	141,886	163,825
Donated facilities	60,000	60,000
Total revenue from Independence Bowl	<u>3,940,181</u>	<u>3,390,913</u>
Other:		
Memberships	44,000	41,400
Interest income	8,071	14,096
Total other revenue	<u>52,071</u>	<u>55,496</u>
Total Revenues	<u>3,992,252</u>	<u>3,446,409</u>
Expenses:		
Program Services:		
Independence Bowl:		
Distributions to participating teams	2,200,000	2,200,000
Advertising and promotion	70,176	80,065
Bowl related events	118,708	182,710
Trophies, awards and souvenirs	115,303	109,677
Game day expenses	203,259	208,290
Amortization of pressbox renovations	25,825	25,825
Scoreboard expenses:		
Amortization	170,022	170,022
Interest expense	38,890	52,232
Other scoreboard related expenses	28,533	65,338
Other expenses	64,824	91,644
	<u>3,035,540</u>	<u>3,185,803</u>
Membership services	880	2,064
Total program services	<u>3,036,420</u>	<u>3,187,867</u>
Supporting Services:		
Management and general	559,565	504,061
Fund-raising	48,603	67,139
Bad debt expense	800,000	-
Total Expenses	<u>4,444,588</u>	<u>3,759,067</u>
Change in Net Assets	<u>\$ (452,336)</u>	<u>\$ (312,658)</u>

The accompanying notes are an integral part of these financial statements.

Independence Bowl Foundation, Inc.

**Statements of Changes in Net Assets
For the Years Ended February 29, 2008 and February 28, 2007**

Net Assets at February 28, 2006	\$ 388,464
Change in net assets	<u>(312,657)</u>
Net Assets at February 28, 2007	75,807
Change in net assets	<u>(452,336)</u>
Net Assets at February 29, 2008	<u><u>\$ (376,529)</u></u>

The accompanying notes are an integral part of these financial statements.

Independence Bowl Foundation, Inc.

Statements of Cash Flows
For the Years Ended February 29, 2008 and February 28, 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (452,336)	\$ (312,657)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	195,847	195,848
Bad debt expense	850,000	-
(Increase) decrease in assets:		
Accounts receivable	(865,352)	(359,225)
Other receivables	(201)	8,089
Prepaid expenses	288	1,848
Increase (decrease) in liabilities:		
Due to participating teams	13,185	(169,355)
Accounts payable	(5,632)	8,530
Accrued expenses	(3,072)	(2,173)
Net Cash Used by Operating Activities	<u>(267,273)</u>	<u>(629,095)</u>
Cash Flows from Investing Activities:		
Redemption of certificates of deposit	7,530	420,793
Net Cash Provided (Used) by Investing Activities	<u>7,530</u>	<u>420,793</u>
Cash Flows from Financing Activities:		
Payment of principal on long-term debt	(150,000)	(150,000)
Net Cash Used by Financing Activities	<u>(150,000)</u>	<u>(150,000)</u>
Net Decrease in Cash and Cash Equivalents	(409,743)	(358,302)
Cash and Cash Equivalents, Beginning of Year	817,018	1,175,320
Cash and Cash Equivalents, End of Year	<u>\$ 407,275</u>	<u>\$ 817,018</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 38,890</u>	<u>\$ 52,623</u>

The accompanying notes are an integral part of these financial statements.

Independence Bowl Foundation, Inc.

Notes to Financial Statements February 29, 2008

1. Nature of Activities and Significant Accounting Policies:

Organization and Nature of Activities

The Independence Bowl Foundation, Inc. ("the Foundation") is a tax-exempt nonprofit organization established for the purpose of advertising and promoting sports in the Shreveport-Bossier City, Louisiana area. The Foundation consists of numerous volunteer committees which carry out all its functions. The Foundation is the sponsoring organization for the Independence Bowl which is promoted and served through the Foundation's membership.

General

The summary of significant accounting policies of the Independence Bowl Foundation, Inc. is presented to assist in the understanding of the Foundation's financial statements. The financial statements and notes thereto are the representation of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories follows:

Unrestricted – Net assets whose use is not subject to any restrictions.

Temporarily Restricted – Net assets whose use is subject to restrictions that can be fulfilled by actions pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets whose use is subject to restrictions that may be maintained permanently. No permanently restricted assets were held during the year ended February 29, 2008.

Income Taxes

The Foundation is exempt from federal and state income taxes under IRS Code Section 501(c)(12). Accordingly, there is no provision for income taxes in these financial statements.

Independence Bowl Foundation, Inc.

Notes to Financial Statements February 29, 2008

1. *Nature of Activities and Significant Accounting Policies (continued):*

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated approximately 13,000 hours to the Foundation's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, goods and facilities are reflected in the statement of activities at their fair value.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of 90 days or less when purchased. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments. At February 29, 2008, and throughout the year then ended, the Foundation's cash balances were deposited in several banks. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

Leasehold Improvements

Leasehold Improvements are recorded at cost. Amortization for reporting purposes is computed using the straight-line method over the remaining life of the lease.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. *Certificates of Deposit*

Certificates of deposit consisted of the following as of February 29, 2008, and are stated at cost:

<u>Financial Institution</u>	<u>Amount</u>
AmSouth Bank	\$ 21,465
JP Morgan Chase	10,790
First Louisiana Bank	10,792
Total	<u>\$ 43,047</u>

Independence Bowl Foundation, Inc.

Notes to Financial Statements February 29, 2008

3. Receivables

Receivables consisted of the following as of February 29, 2008 and 2007:

	2008	2007
Corporate sponsors and advertisers	\$ 1,257,868	\$ 418,072
Participating teams	-	24,645
Accrued interest on certificates of deposit	905	704
Total	1,258,773	443,421
Less: allowance for doubtful accounts	(800,000)	-
Total receivables, net	\$ 458,773	\$ 443,421

4. Distributions to Participating Teams

Per agreements with the Big Twelve Conference and the Southeastern Conference, the Foundation agrees to pay to each participant in the game \$1,100,000. As of February 29, 2008, the minimum distribution obligations to the participants are expected to be as follows for the years ending February 28:

Year Ending February 28,	Amount
2009	\$ 2,200,000
2010	2,200,000
2011	2,200,000

As part of the agreement, each participating university must purchase a minimum of 12,000 tickets. The Foundation is able to deduct from the gross distribution the amount of the tickets even if the university did not sell the tickets.

The following is a recap of the distributions and payables to the teams that participated in the 2007 Independence Bowl:

	Colorado	Alabama	Totals
Calculated gross payout	\$ 1,100,000	\$ 1,100,000	\$ 2,200,000
Less:			
Value of game tickets allocated to and retained by participating institutions and other items	(401,900)	(403,690)	(805,590)
Less:			
Deductions & Costs	-	-	-
Balance due to participating teams	\$ 698,100	\$ 696,310	\$ 1,394,410

Independence Bowl Foundation, Inc.

Notes to Financial Statements February 29, 2008

5. Cooperative Endeavor Agreement

On August 13, 2001, the Foundation entered into a cooperative endeavor agreement with the City of Shreveport, Louisiana, to produce an annual football game referred to as the Independence Bowl. The agreement provides that the foundation will be paid \$100,000 per year through the 2010 game and the use of public facilities, including Independence Stadium, at no rental charge. The estimated fair market value of the use of the facilities is \$60,000. The Foundation was allowed to improve the stadium's facilities with renovations to the pressbox and the addition of a scoreboard. After the debt related to scoreboard is paid, the scoreboard becomes the property of the City of Shreveport.

6. Leases

During June 2003, the Foundation renegotiated its lease for office space in the American Tower in Shreveport, Louisiana. The new lease term commenced on July 1, 2003 and ends May 31, 2008. Total rent expense for office space during the year ended February 29, 2008 was \$40,148. The following is a schedule by year of future minimum rental payments due under the operating lease agreements:

<u>Year Ending February 28,</u>	<u>Amount</u>
2009	\$ 10,027

7. Note Payable:

On September 3, 2001, the Foundation obtained a loan from Capital One Bank in the amount of \$1,500,000 to purchase a scoreboard. On May 1, 2003, the Foundation renegotiated a new variable interest rate based on the London Inter-Bank Offered Rate plus 2.15%. The rate as of February 29, 2008, was 4.74%. The loan is due upon demand. However, if no demand is made, the loan will be repaid in 10 annual principal payments of \$150,000 each beginning November 30, 2001. Interest will be paid quarterly beginning December 31, 2001, with all subsequent interest payments due on the same day of each quarter thereafter. The City of Shreveport, Louisiana is a co-signor on the note.

Future principal payments as of February 29, 2008, are \$150,000 each year from year ending 2009 to 2011.

The Foundation has historically funded the debt service by selling advertising space on the scoreboard. The Foundation intends to continue funding the debt service in this manner until it is paid in full.

8. Title Sponsorship

On May 1, 2007, the Foundation signed an extension of its title sponsorship agreement with PetroSun, Inc., which shall expire January 1, 2012. The agreement includes 2007, 2008, 2009, 2010 and 2011 presentations of the Bowl.

Independence Bowl Foundation, Inc.

Notes to Financial Statements

February 29, 2008

8. Title Sponsorship (continued)

Total title sponsorship revenue during the year ended February 29, 2008 was \$980,000. This was made up of \$850,000 for the 2007 presentation as well as a payment of \$130,000 for the 2006 presentation of the Bowl.

The following is a schedule by year of future minimum receipts under the title sponsorship agreement:

2009	\$ 950,000
2010	1,050,000
2011	1,150,000
2012	1,250,000

The Foundation has reserved \$800,000 of its title sponsorship revenue as being uncollectable for the year ended February 29, 2008. The Foundation is currently pursuing collection activities against PetroSun, Inc.

9. Television and Radio Rights

On August 17, 2006, the Foundation amended and extended its agreement with ESPN for the broadcast rights of the Independence Bowl through the 2009 game. The following is the rights fees payable to the Foundation for the years ending February 28:

<u>Year</u>	<u>Total</u>
2009	\$ 625,000
2010	650,000
	<u>\$ 1,275,000</u>

As part of the agreement with ESPN, the Foundation will pay the following sums to ESPN for the right of entitlement for the years ending February 28:

<u>Year</u>	<u>Total</u>
2009	\$ 344,531
2010	361,757
	<u>\$ 706,288</u>

The Foundation normally requires that its title sponsor pay this fee (See Note 7). If the Foundation does not have a title sponsor for the Independence Bowl, it is not required to pay ESPN for the right of entitlement.

Independence Bowl Foundation, Inc.

Notes to Financial Statements

February 29, 2008

10. Concentration of Credit Risk for Cash and Certificates of Deposit Held in Banks

The Foundation maintains cash balances and certificates of deposit in certain financial institutions in excess of limits insured by the Federal Deposit Insurance Corporation (FDIC), which is a maximum of \$100,000 per account. At February 29, 2008, the Foundation had uninsured balances of approximately \$358,000.

11. Going Concern

As shown in the accompanying financial statements, the Foundation incurred a net decrease in net assets of \$452,336 during the current period due to reserving the accounts receivable from its title sponsor for \$800,000. This results in the Foundation having a deficit in net assets of \$376,529.

In response to this situation, management has implemented an expense reduction plan as well as a plan to increase sponsorship revenues from various state and local governments, individuals, and companies.

Because it is unclear whether the Foundation will be successful in accomplishing these objectives, there is uncertainty about whether the Foundation has the ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary should the Foundation be unable to continue as a going concern.

12. Subsequent Events

Due to the failure of PetroSun, Inc. to make its complete title sponsorship payment for the 2007 presentation of the Bowl, the Foundation was required to obtain funds from the City of Shreveport, Louisiana in the amount of \$594,410 in order to make the team payouts as of March 31, 2008. \$100,000 was considered the City's annual sponsorship for the 2008 bowl game and \$494,410 as an advance payable when the title sponsor makes its payment.

SUPPLEMENTARY INFORMATION

OTHER REPORTS

***Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
Governmental Auditing Standards***

Board of Directors
Independence Bowl Foundation, Inc.
Shreveport, Louisiana

We have audited the financial statements of Independence Bowl Foundation, Inc. (a nonprofit organization), as of and for the year ended February 29, 2008, and have issued our report thereon dated July 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Independence Bowl Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independence Bowl Foundation, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. See related finding 2008-1.

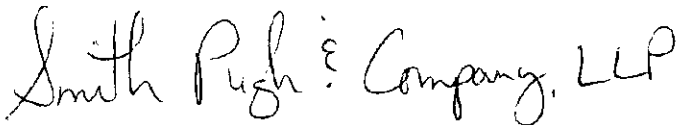
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independence Bowl Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and the Office of the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Smith Pugh & Company, LLP".

Smith Pugh & Company, LLP
Shreveport, Louisiana
July 31, 2008

SUMMARY OF AUDIT FINDINGS

INDEPENDENCE BOWL FOUNDATION, INC.
SUMMARY OF AUDIT FINDINGS

February 29, 2008

Schedule of Findings

2008-1 Finding: Lack of segregation of duties.

Cause: Our examination disclosed that there is not any segregation of duties within the Foundation's accounting function, (especially in the areas of bank reconciliations, cash disbursements, general ledger, journal entries and ticket sales). This weakness is due to the fact that the Foundation has a very small staff and only one person is responsible for accounting and ticket sales. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the Foundation has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained. The Foundation has taken the following steps to mitigate this lack of segregation of duties:

1. The Foundation has segregated parts of the cash receipts process by assigning other personnel to prepare deposit slips and make the deposits at the bank.
2. The executive director reviews the bank reconciliations for each month.
3. The treasurer and the executive director are also reviewing the general ledger for unusual items on a monthly basis.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the Foundation's finance committee and executive director continue to closely monitor all records and transactions.

Response: The Foundation's finance committee and executive director concur with the recommendation.

Schedule of Prior Findings

2007-1 Finding: Lack of segregation of duties.

Cause: Our examination disclosed that there is not any segregation of duties within the Foundation's accounting function, (especially in the areas of bank reconciliations, cash disbursements, general ledger, journal entries and ticket sales). This weakness is due to the fact that the Foundation has a very small staff and only one person is responsible for accounting and ticket sales. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the Foundation has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained. The Foundation has taken the following steps to mitigate this lack of segregation of duties:

**INDEPENDENCE BOWL FOUNDATION, INC.
SUMMARY OF AUDIT FINDINGS**

February 29, 2008

1. The Foundation has segregated parts of the cash receipts process by assigning other personnel to prepare deposit slips and make the deposits at the bank.
2. The executive director reviews the bank reconciliations for each month.
3. The treasurer and the executive director are also reviewing the general ledger for unusual items on a monthly basis.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the Foundation's finance committee and executive director continue to closely monitor all records and transactions.

Response: The Foundation's finance committee and executive director concurs with the recommendation.